

Message Text

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PAGE 01 KUWAIT 03878 221057Z

15

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3698

INFO USTREASURY WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EFIN, KU

SUBJ: MAJOR US BANKS IN NEW KUWAIT INVESTMENT COMPANIES

1. CHASE AND BANK OF AMERICA ARE MINORITY OWNERS IN TWO NEW INVESTMENT COMPANIES BEING ESTABLISHED HERE. CHASE WILL HOLD SMALL SHARE IN ARAB CREDIT COMPANY WHICH WILL BE MANAGED BY SAMUAL MONTAGUE, A SUBSIDIARY OF BRITISH MIDLAND BANK. KUWAITI OWNERS INCLUDE SOME MEMBERS OF THE ROYAL FAMILY, AND REPRESENTATIVES OF PROMINENT BANKING FAMILIES. INITIAL CAPITALIZATION IS KD 2 MILLION. (KD1 EQUALS \$3.50).

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PAGE 02 KUWAIT 03878 221057Z

2. B OF A WILL MANAGE AND HOLD 40 PERCENT OWNERSHIP OF AN AS YET UNNAMED INVESTMENT COMPANY THAT IS BEING FORMED. REMAINING 60 PERCENT WILL BE OWNED, HALF BY A GROUP LED MARZOUK FAMILY AND HALF BY NEW HOLDING COMPANY NAMED KUWAIT PROJECTS COMPANY WHICH WILL BE OWNED BY OVER 100 PROMINENT KUWAITI BUSINESSMEN. THIS COMPANY ALSO LIKELY TO BE CAPITALIZED AT ABOUT KD 2 MILLION. ALTHOUGH FINAL APPROVAL HAS NOT YET BEEN OBTAINED, IT IS CONSIDERED TO BE ASSURED.

3. COMMENT: BOTH CHASE AND B OF A ARE ACTIVE IN KUWAIT AND BOTH HOLD SIGNIFICANT GOK DEPOSITS IN US. CHASE MANAGES COMMERICAL BANK AND B OF A MANAGES KUWAIT REAL ESTATE BANK. EACH OF THE NEW INVESTMENT COMPANIES IS PARTIALLY OWNED BY SAME INTERESTS THAT OWN THE BANKS MANAGED BY CHASE AND B OF A. MOREOVER, BOTH SETS OF BANKS ALREADY ARE IN JOINT VENTURES OUTSIDE KUWAIT. THUS, NEW INVESTMENT COMPANY PARTICIPATION REPRESENTS EXPANSION OF ALREADY ACTIVE ROLE HERE BY TWO US BANKS. SHOULD BE NOTED, HOWEVER, THAT CHASE HAS RELATIVELY SMALL SHARE OF INSTITUTION MANAGED BY UK INVESTMENT HOUSE AND THAT CHASE APPARENTLY ENTERED AS AFTERTHOUGHT. B OF A, ON OTHER HAND, HOLDS MAJOR SHARE, WILL MANAGE AND HAS BEEN PRIME MOVER BEHIND THE OTHER INVESTMENT COMPANY. AS FAR AS WE HAVE BEEN ABLE TO DETERMINE, HIGHEST LEVELS OF GOK ARE FULLY BEHIND PROJECT AND FURTHERMORE ARE RATHER HAPPY WITH B OF A PERFORMANCE IN AND ON BEHALF OF KUWAIT. THEREFORE GOK CAN BE EXPECTED TO SUPPORT THE VENTURE EVEN THOUGH OBSERVERS HERE SUSPECT GOK CONSCIOUSLY NOT CHANNELLING FUNDS TO INVESTMENT COMPANIES WITH FOREIGN OWNERSHIP. THEREFORE, B OF A INVESTMENT BANKING VENTURE PROBABLY WILL BE THE MOST IMPORTANT OF THE SEVERAL THAT NOW EXIST WITH AMERICAN PARTICIPATION.
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